

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN
REGULATORY AUTH.

IN RE: ALL TELEPHONE COMPANIES TARIFF FILINGS REGARDING
RECLASSIFICATION OF PAY TELEPHONE SERVICE.

APR 10 2 50
OFFICE OF THE
EXECUTIVE SECRETARY

Docket No. 97-00409

SUPPLEMENTAL RESPONSE OF TENNESSEE PAYPHONE OWNERS
ASSOCIATION TO DISCOVERY REQUESTS OF UNITED TELEPHONE-
SOUTHEAST

In compliance with the procedural schedule set forth in the Hearing Officer's Order of March 14, 2002, and the agreement of the parties, the Tennessee Payphone Owners Association ("TPOA") submits the attached analysis of the cost study data furnished by United Telephone-Southeast, Inc. (United"), and a proposed rate.¹

This information also responds to United's "Request for Documents," questions 1 and 5.

Respectfully submitted,



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¹ The rate shown in the attached material reflects TPOA's proposed rate at this time. The rates has been calculated by using the same method for allocating overhead costs and for separating interstate and intrastate costs used by the Authority to calculate payphone rates for BellSouth. However, based on the FCC's recent decision in the *Wisconsin* case, Bureau/CPD No. 00-01, Released January 31, 2002, the TPOA may request that the TRA make adjustments to those methods. TPOA's final proposed rate will be set forth in TPOA's pre-filed testimony.


F 4/10/02

CERTIFICATE OF SERVICE

I hereby certify that on April 9 2002, a copy of the foregoing document was served on the parties of record, via hand delivery or U.S. First Class Mail addressed as follows:

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TPOA-Sprint Mutually Agreed-Upon Cost Methodology

TPOA and Sprint have reached an agreement regarding the cost methodology that should be used to develop per-line costs for the Non Traffic-Sensitive portion of PTAS service. This methodology is outlined below.

While TPOA and Sprint agree on the calculation to be made, no agreement has been reached on a number of important inputs. Specifically, TPOA and Sprint continue to disagree about (1) the appropriate material cost information to be used to develop network investments (Sprint advocates the updated set of network investments used in its October 2001 cost study, while TPOA believes that the network investments used in the March and May 2001 studies is appropriate), and (2) the set of network characteristics to be assumed in the cost study (Sprint believes that the characteristics of all voice grade loops should be studied, while TPOA advocates the use of only PTAS characteristics).

In order to accurately reflect these areas of agreement and disagreement, this description of the costing process has been divided into two sections that separately address the methodology/underlying calculations and proposed inputs.

Methodology

TPOA agrees that the Sprint loop cost model can be relied upon to develop network investments that are accurate and reliable at the "grid" level of geographic disaggregation. This grid-level investment information and line counts per grid serve as the starting point for the following calculation:

- 1) Grid level Cable & Wire Investment divided by the Number of 2-Wire Voice Grade Lines in the grid yields an Average Cable & Wire investment per line specific to that grid.
- 2) The Average Cable & Wire investment per line specific to the grid is multiplied times the number of Lines in the grid associated with the service being studied to yield a Total Investment for the Service in that grid.
- 3) The Total Investment for the Service Total Investment for the Service is summed for all grids to yield a Total Investment for the Service for the Service Territory.
- 4) Total Investment for the Service for the Service Territory is divided by the total number of lines used to provide the Service to yield a Statewide Average Cable & Wire Investment per Line for that Service.
- 5) Steps 1 through 4 are repeated for Circuit Facilities to develop a Statewide Average Circuit Investment per Line for that Service.

6) Sprint's Annual Charge Factors (based on the USF ROR) are applied to the Cable & Wire and Circuit Investment to yield a Statewide Average Cost per Line for the Service.

NOTE: Sprint's position that the cost of PTAS should be based on the characteristics of all 2-wire voice grade lines simplifies the above process. Since the distribution of lines in individual grids for the Service being studied will by definition (according to Sprint's view) be equal to the number of 2-wire voice grade lines in the grid, Total Investment can simply be divided by Total Lines to yield a Statewide Investment per Line. For this reason, the process described above is more complex than necessary for the application of Sprint's proposed inputs, but will yield the correct answer based on those inputs.

TPOA's position that the cost of PTAS should be based on the characteristics of PTAS lines only makes the precision of the above process necessary. Because the distribution of PTAS lines among grids is different than the distribution of all 2-wire voice grade lines among grids, a cost methodology that considers the location of PTAS lines will yield a different result than Sprint's approach. The level of complexity in the process described above is necessary in order to calculate the correct answer based on TPOA's proposed inputs.

Cost Study Inputs

TPOA believes that the network investments used by Sprint in its March and May 2001 cost studies are based on the most reliable material prices that would be charged in an arms-length transaction. The inputs are also consistent with those relied upon by the TRA when establishing UNE rates and when making universal service calculations. This investment is contained in the columns entitled "March 6, 2001 Study" in the attached file entitled *TN PP DR Grid results Q2_Q3 4th TPOA Req_3_5.xls*.

TPOA believes that the cost used to develop a cost-based rate for PTAS service should be based on the network characteristics of PTAS service. Sprint's cost model provides the opportunity to calculate PTAS-specific local loop investments. The level of geographic precision is limited to the level of the grid, but this precision is sufficient to generate reasonable accurate costs. For this reason, the weighted average investment should be based on the investment calculated for each grid that is "weighted" by the number of PTAS lines – not the number of total lines – in that grid. The use of PTAS-specific locations impacts assumed distribution of lines throughout the area being studied, but does not impact the total investment or total line assumptions. This PTAS line location information is contained in the column entitled "Total Smart Phones Served in Grid" in the attached file entitled *TN PP DR Grid results Q2_Q3 smartdumb_DRcomp.xls*. (Note: Sprint has indicated the data contained in the columns entitled "March 6, 2001 Study" in this spreadsheet are inaccurate and should not be used. TPOA has relied upon

the corrected data contained in the *TN PP DR Grid results Q2_Q3 4th TPOA Req_3_5.xls worksheet*).

Cost Study Results

TPOA applied the mutually agreed-upon cost methodology to the data contained in the attached spreadsheets. These spreadsheets were prepared by Sprint in response to either TPOA data requests or at the TRA's direction and have not been altered by TPOA).

This process yields a Statewide Average Cost per Line for the NTS portion of PTAS of \$14.42. When used in Sprint's cost aggregation spreadsheet (with no other changes to Sprint's assumptions) a monthly rate is produced:

Smart Payphone Price List

Line Item	Description	Section Reference	Rate	
1	Smart Location Monthly Flat Rate	E	\$ 19.83	Page 2, Line 9
2	Payphone Usage Rate	F	\$0.0037	Page 3, Line 10

These results constitute TPOA's proposal at this time.